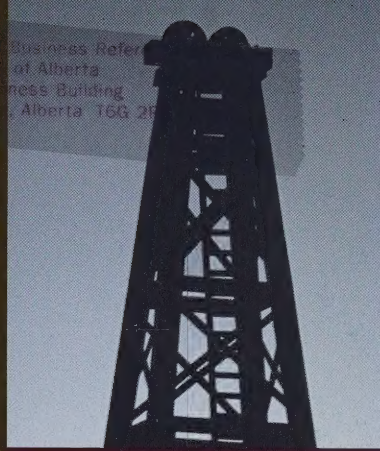


value from royalties

FREEHOLD
ROYALTY
TRUST

2000 Annual Report

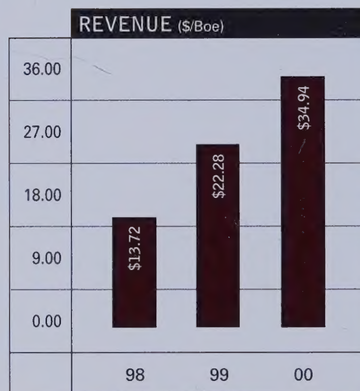
CORPORATE PROFILE

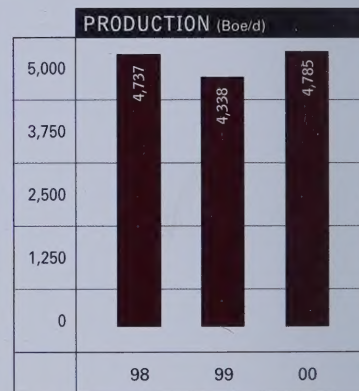
Freehold Royalty Trust is one of the largest owners of privately held mineral rights in western Canada. Approximately 10 percent of the mineral rights in the provinces of Alberta, Saskatchewan and British Columbia are privately owned, while the majority, about 90 percent, is held by the provincial and federal governments.

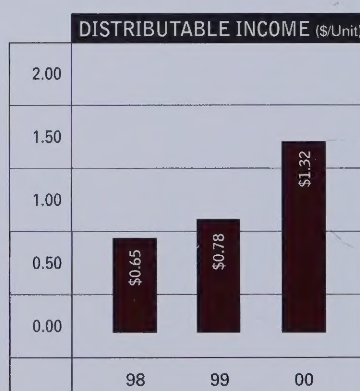
Freehold owns primarily royalty-generating properties that provide income from crude oil, natural gas, natural gas liquids and potash. It is the responsibility of the Trust to collect and regularly distribute this income to its Unitholders.

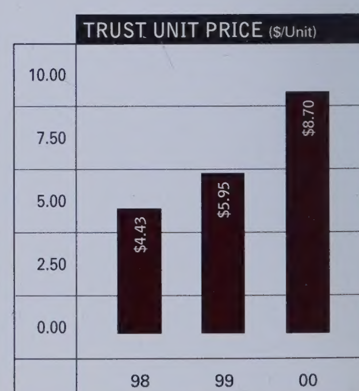
Freehold's objective is to provide investors with superior returns and consistent distributions. Growth in the underlying value of the Trust is achieved through ongoing development activity on the land base and the acquisition of new oil and gas assets, with a focus on the royalty properties.

Freehold's Trust Units trade on The Toronto Stock Exchange under the symbol **FRU.UN**.









INSIDE

2000 AT A GLANCE

* Revenue totalled $61.2 million, up 74 percent from the $35.3 million reported in 1999;
* Net income rose 260 percent to $31.7 million ($1.19 per Trust Unit) compared to $8.8 million ($0.33 per Trust Unit) in 1999;
* Distributable income amounted to $35.2 million ($1.32 per Trust Unit), 70 percent higher than $20.8 million ($0.78 per Trust Unit) in the prior year;
* Completed $5.3 million in property acquisitions; and
* Production increased 10 percent to 4,785 Boe per day from 4,338 Boe per day in 1999.

HIGHLIGHTS

Years Ended December 31 ($000s, Except Per Unit Data)	2000	1999	% Change
Financial			
Royalty income	**39,987**	22,075	+81
Working interest sales (net of royalties)	**21,207**	13,195	+61
Total revenues	**61,194**	35,270	+74
Distributable income	**35,226**	20,757	+70
Per Trust Unit	**1.32**	0.78	+69
Capital expenditures	**5,161**	940	+449
Acquisition expenditures	**5,326**	-	-
Long-term debt	**38,000**	39,288	-3
Unitholders' equity	**183,029**	185,938	-2
Trust Units outstanding	**26,728,000**	26,648,000	-
Operating			
Production			
Oil and NGLs (Bbls/d)	**3,680**	3,223	+14
Natural gas (Mmcf/d)	**11.0**	11.2	-2
Oil equivalent (Boe/d)	**4,785**	4,338	+10
Potash (Tonnes/d)	**10.9**	14.2	-23
Average sales price			
Oil and NGLs ($/Bbl)	**32.97**	21.37	+54
Natural gas ($/Mcf)	**4.71**	2.48	+90
Oil equivalent ($/Boe)	**36.22**	22.25	+63
Potash ($/Tonne)	**146.72**	157.56	-7
Established reserves (proven plus half probable) (Mboe)	**24,240**	25,063	-3
Undeveloped land (gross acres)	**140,896**	136,036	+4

PRESIDENT'S MESSAGE

The first year of the new millennium saw a whirlwind of positive developments in the Canadian oil and gas industry, including record high commodity prices and renewed industry activity. Within this scenario, Freehold achieved strong operating and financial performance while also displaying capability as a consistent, dependable investment for the long-term.

Credit for our strong performance is in large part due to the value of our greatest asset – the royalty lands. In both good and bad times in the Industry, these properties in western Canada generate the majority of our cash flow, free of capital expenditures and other related costs. Within the conventional oil and gas trust group, our royalty lands are a distinguishing feature.

Highlights for the year included:

* Record prices for crude oil, natural gas and natural gas liquids ("NGLs");
* A record operating netback of $32.61 per barrel of oil equivalent, one of the highest of any conventional oil and gas royalty trust;
* Increased activity on our properties;
* Average annual production of 4,785 barrels of oil equivalent per day, a 10 percent increase over 1999;
* Low total or "all-in" costs, including operating costs, overhead expenses and management fees, of $3.88 per barrel of oil equivalent;
* Acquisition of a royalty-generating heavy oil property;
* Increased distributions and overall return to Unitholders; and
* Reduced debt.

PRICES SPARK ACTIVITY

After relief in commodity prices became apparent in 1999, the year 2000 witnessed significantly higher prices for both oil and natural gas.

OPEC paid close attention to the supply/demand balance with the objective of keeping world prices in a range above U.S. $25.00 per barrel. For the year, the average West Texas Intermediate ("WTI") oil price reached a record U.S. $30.20 per barrel.

By mid-2000, natural gas prices reached unprecedented levels. Key factors in the price rise were the increasing demand for the commodity in North America, both as a clean-burning domestic fuel and for electrical generation. Furthermore, supplies tightened as producers were unable to meet increased demand.

Freehold's average oil and NGLs price reached $32.97 per barrel in 2000, a 54 percent increase from the average $21.37 per barrel in 1999. Our average natural gas price increased 90 percent to $4.71 per thousand cubic feet for the year compared to $2.48 per thousand cubic feet in the previous year. With no hedging contracts in place, Freehold realized the full benefit of these prices.

CORPORATE STRATEGIES

The consistent application of our corporate strategies, combined with a conservative management philosophy, is reflected in the following key points of our strategic plan:

* The continued search for new assets (acquisition announced in January 2001 of 500 barrels of royalty oil production which will be completed in April 2001);
* The continued conservative management of Freehold's assets;
* A consistent distribution policy of withholding up to 15 percent of cash available to fund the annual capital program and the reclamation fund; and
* A portion of cash available in excess of the regular monthly distributions is to be applied against debt.

Throughout the Industry, these prices triggered high levels of drilling activity with over 16,500 wells being drilled in western Canada. In Freehold's case, we experienced increased activity by lessees and working interest partners on both our royalty and working interest properties. After two years of reduced activity on the working interest properties, our partners re-invested aggressively. As a result, we doubled the capital provided to develop properties relative to the previous year.

The renewed drilling activity led to production and reserve gains. Production increased 10 percent to 4,785 barrels of oil equivalent. Approximately half of this increase was attributed to an acquisition made in 2000, and half was added from production growth on our properties. We replaced 114 percent of production in 2000 through a combination of drilling and acquisitions, and exited the year at a production rate of 4,984 barrels of oil equivalent, a 15 percent increase over 1999. These factors, combined with higher prices, had a positive impact on the Trust's revenues which increased 74 percent to $61.2 million compared to $35.3 million in the prior year.

A REWARDING INVESTMENT

Our strong financial results increased the amount of cash available for distribution to our Unitholders. During the year, the Trust distributed $35.2 million ($1.32 per Trust Unit) compared to $20.8 million ($0.78 per Trust Unit) in 1999.

It is also notable that Freehold generated a total return of 68 percent to its Unitholders in 2000, outperforming The Toronto Stock Exchange ("TSE") 300 Index total return of seven percent and the TSE Oil and Gas Producers Index total return of 46 percent.

MANAGEMENT CAPABILITY

A strong attribute of Freehold is our management group. Each individual brings at least 15 years of experience and knowledge managing the specific assets we own. Our team has been in place since prior to the Trust's inception.

Furthermore, the conservative management philosophy has been an advantage throughout various cycles of the oil and gas industry. In fact, a consistent approach has contributed to the strength of our balance sheet.

(Left to right) Frank George, *Vice-President, Exploitation;* Bill Ingram, *Vice-President, Production;* David Sandmeyer, *President and C.E.O.;* Joe Holowisky, *Vice-President, Finance, C.F.O. and Secretary;* and Mike Okrusko, *Vice-President, Land.*

For example, during 2000 we made decisions regarding the additional cash resources at our disposal. We not only increased distributions to our Unitholders, we also initiated a debt reduction program to strengthen our balance sheet and to position Freehold to take advantage of future opportunities.

STRATEGIC ACQUISITIONS

Freehold completed an acquisition of heavy oil properties that was responsible for a portion of the production increase in 2000. Royalty and working interest properties were acquired for $5.1 million in the Luseland area of Saskatchewan. The property added approximately 225 barrels of oil equivalent per day (46 percent royalty production) to Freehold's production base and contributed 500,000 barrels of oil equivalent to established reserves.

We continue to adhere to the policy of acquiring additional properties that emphasize royalty interests. The $27.6 million acquisition we are currently completing consists entirely of royalties. When completed in late April 2001, the acquisition will add approximately 500 barrels of light oil royalty production. Undeveloped royalty lands acquired with the transaction will provide opportunities to sustain and increase royalties from these properties in years to come.

2001 OUTLOOK

Commodity prices and industry activity are expected to remain strong in 2001. As a result of OPEC's strategy to increase production when oil prices are greater than U.S. $28.00 per barrel, we anticipate some moderation in oil prices. However, full-year natural gas prices have the potential to exceed the historic record levels of the past year.

Our 2001 forecast calls for a WTI oil price of $U.S. 26.00 per barrel, a natural gas price of $6.50 per thousand cubic feet, and production of 5,000 barrels of oil equivalent per day, including the acquisition expected to close in April. Freehold will have a lower capital expenditure requirement in 2001 ($2.4 million versus $5.2 million in 2000) as a number of wells deferred in the previous two years were drilled on the working interest properties during 2000. Price differentials between light and heavy grades of crude oil, which began to widen in the final quarter of 2000 due to lack of demand for heavy crudes, are expected to narrow in the first quarter of 2001.

For Freehold, 2001 holds the promise of further achievement. We are excited about the prospects for activity on our properties, particularly the royalty lands. The application of new technologies continues to increase production and to extend reserve life.

The Trust will become taxable in 2001 for the first time as its tax pools are depleting. This will result in a portion, estimated at 35 percent, of our Unitholder's 2001 distributions becoming taxable as income.

ACKNOWLEDGEMENTS

I extend thanks to our Unitholders who have expressed confidence in Freehold, particularly in our prudent approach to debt management. I also thank our Board of Directors for its valued guidance, and the employees of the Manager, Rife Resources Ltd. for their efforts and dedication.

Our commitment to Unitholders is to continue to realize the full value of Freehold's diversified royalty properties in western Canada.

David J. Sandmeyer
President and Chief Executive Officer
March 5, 2001

REVIEW OF OPERATIONS

Freehold's diversified asset base combines mineral title and gross overriding royalties, which are responsible for the majority of income, along with working interest properties. While the Trust's production base is geographically widespread throughout western Canada, the majority of its properties are located in Alberta.

PRODUCTION

Freehold's 2000 production, comprised of 77 percent oil and NGLs and 23 percent natural gas, averaged 4,785 barrels of oil equivalent per day, an increase of 10 percent from the previous year.

Potash volumes decreased year-over-year, as subsequent to a prior agreement, payout status was reached on six of the seven mines during the year. Potash revenues totalled $586,537 during 2000, compared to $817,559 in 1999. Potash royalties will continue to provide a modest, but reliable source of income.

Production Volumes Years Ended December 31	**2000**	1999	1998
Oil and NGLs (Bbls/d)	**3,680**	3,223	3,547
Natural gas (Mmcf/d)	**11.1**	11.2	11.9
Oil equivalent (Boe/d)	**4,785**	4,338	4,737
Potash (Tonnes/d)	**10.9**	14.2	15.3

DRILLING ACTIVITY

Year-over-year, drilling activity was up 58 percent on Freehold's lands. A total of 504 (18.6 net) wells were drilled on Freehold's lands in 2000, as compared to 319 (11.8 net) in 1999.

Wells Drilled Years Ended December 31	**2000**	1999	1998
Royalty lands	**195**	168	124
Unitized wells (royalty lands)	**238**	119	181
Working interest properties	**71**	32	27
Total (gross)	**504**	319	332
Total (net)	**18.6**	11.8	6.0

ACQUISITION

In April of 2000, Freehold acquired royalty and working interests in the Luseland area of Saskatchewan for $5.1 million. Freehold now owns 100 percent of the mineral title interest in Section 8, a 20 percent working interest in three-quarters of that section, plus a two percent gross overriding royalty. The property added 225 barrels of oil per day annualized to Freehold's production base in 2000.

During 2000, the operator drilled three (0.4 net) wells on the royalty lands, three (0.6 net) working interest wells, and reactivated two (0.4 net) oil wells.

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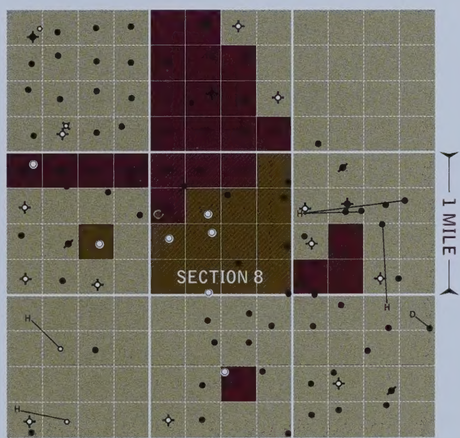
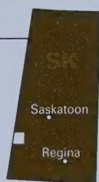


LUSELAND, SASKATCHEWAN



■	Working Interest Lands
■	GORR Lands
////	Title Lands
○	Wells drilled in 2000/ reactivations
◆	Location
H	Horizontal
D	Directional

OVERVIEW OF FREEHOLD ROYALTIES

UNDERSTANDING A ROYALTY

There are two commonly used terms in describing the ownership of oil and gas assets – working interests and royalty interests.

Working interest owners share in the benefit of production from wells, but are also responsible for their share of all drilling, production and operating costs, royalties payable, and future abandonment or environmental liabilities. In contrast, royalty interest holders receive a percentage share of the production income from wells without any responsibility for these expenses.

A "royalty" is a payment to the royalty owner based on a percentage of the gross well production without the working interest owners' associated responsibility for any expenses. There are two kinds of royalty interests – lessor royalties paid to the mineral title owner or "lessor" of the mineral rights, and gross overriding royalties which primarily arise from contractual arrangements between companies.

In summary, a royalty interest is more valuable than a working interest of equal amount.

FREEHOLD'S ROYALTIES

The majority of royalties owned by Freehold are lessor royalties, based on Freehold's mineral title ownership. Third parties ("lessees") drill on Freehold's lands and pay Freehold a lessor royalty as stipulated in the lease. The royalty rates vary from less than one percent (for some gross overriding royalties) to 20 percent (for lessor's royalties). Drilling on Freehold's royalty lands tends to have a high success rate as the wells drilled are primarily lower-risk "development" wells, as opposed to riskier "exploratory" wells.

FREEHOLD'S SHARE OF THE HUDSON BAY ROYALTY LANDS

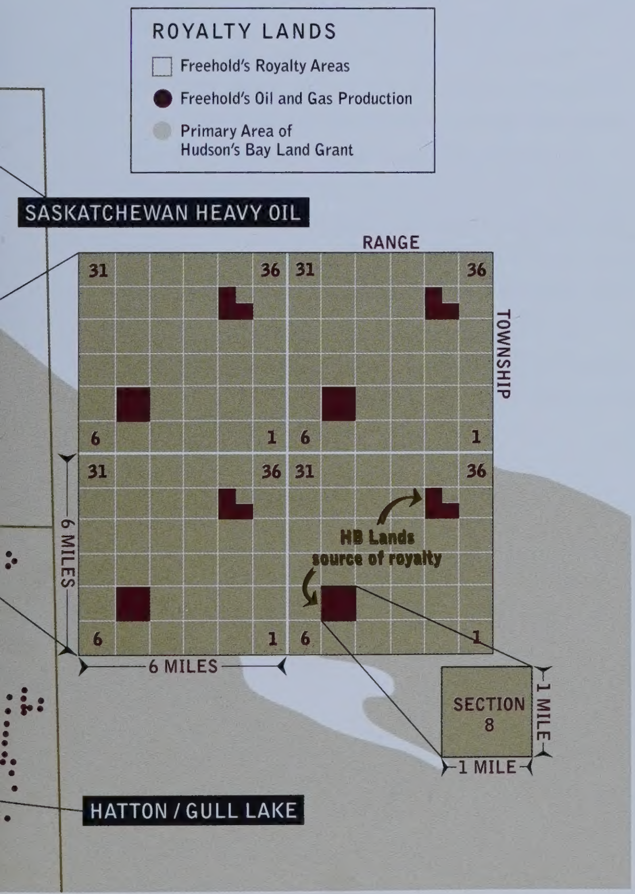
Freehold acquired its initial royalty assets from Canpar Holdings Ltd. in 1996. These assets were a portion of the original grant of lands that belonged to the Hudson's Bay Company.

In 1973, the Hudson's Bay Company sold its interest in 4.6 million acres of mineral title lands to Siebens Oil & Gas Ltd. In 1979, Siebens sold its assets to Canpar and Dome Petroleum Limited.

HISTORY OF MINERAL RIGHTS ON THE PRAIRIES

The sources of freehold mineral rights are:

* Hudson's Bay Company lands;
* Canadian Pacific Railway and other railroad lands;
* Grants to homesteaders until 1887; and
* Lands set aside pursuant to federal statutes such as the Soldier Settlement Act.



For a picture of the ownership of oil and gas rights in Canada today, glance back several hundred years to the period of the early explorers. The following key historical events have determined the current land ownership system in Canada:

1670 King Charles II granted the Hudson's Bay Company all of the lands, including mineral rights, draining into the Hudson's Bay. This grant covered 1,480,000 square miles.

1869 The Hudson's Bay Company surrendered all of its lands to the Crown in return for 1/20th of the land surveyed. This grant amounted to 7,000,000 acres comprising Section 8 and three-quarters of Section 26 in most townships south of the North Saskatchewan River. It also included ownership of all mineral rights.

1887 The original homesteaders' land grants included the mineral rights, but from 1887 and onwards, the Crown excluded the minerals from any new land grants west of the Saskatchewan-Alberta border.

1930 The Government of Canada transferred Crown lands, mines, and minerals (except for Indian Reservations and National Parks) to the Prairie provinces in which they were located.

2001 Today, ownership of mineral rights is:

* 80 percent held by the province;
* 10 percent freehold, including individuals and corporations; and
* 10 percent held by the federal government in National Parks and Reservation lands.

ROYALTY LANDS

Freehold has royalty interests in over 12,400 gross wells throughout western Canada. The royalty rates range from less than one percent to 20 percent. Production from the royalty properties comprises 74 percent oil and NGLs, and 26 percent natural gas.

Strong commodity prices during 2000 had a positive impact on the performance of Freehold's land base. Income from royalties provided 87 percent of distributable income in 2000.

PRODUCTION

Production from royalty lands was 2,974 barrels of oil equivalent, up 13 percent from 1999.

Royalty Lands Production Volumes (Boe/d) Years Ended December 31	Average Royalty (%)	**2000**	1999	1998
Western Alberta	0.5	**663**	655	722
Northeast Alberta	2.4	**576**	607	654
Sask. Heavy Oil	5.8	**848**	483	469
Southeast Alberta	1.1	**296**	309	309
Bashaw/Leduc	0.4	**241**	284	307
Hatton/Gull Lake	0.8	**218**	166	209
Other	0.4	**132**	130	133
Total	0.8	**2,974**	2,634	2,803

DRILLING ACTIVITY

A total of 433 (10.0 net) wells were drilled on Freehold's royalty lands during 2000, compared to 287 (10.8 net) wells drilled in 1999.

Wells Drilled on Royalty Lands (includes unitized wells) Years Ended December 31	**2000**	1999	1998
Oil	**113**	98	129
Natural gas	**289**	149	143
Service/other	**20**	33	23
Dry and abandoned	**11**	7	10
Total	**433**	287	305
Success rate (%)	**97**	97	97
Net wells	**10.0**	10.8	5.1

DEVELOPMENTS ON ROYALTY LANDS

The Trust's royalty properties are highly diverse, and have been divided into six areas for review purposes. Opportunities exist for lessees to continue with drilling and expansion of production volumes in all areas. The most significant opportunities are in Saskatchewan Heavy Oil, Western Alberta, Hatton/Gull Lake and Southeast Alberta. The undeveloped royalty lands are non-producing spacing units totalling 98,528 acres at year-end 2000. Potential exists on these lands by increasing the well density with additional vertical or horizontal wells.

For example, two-thirds of drilling on Freehold's lands during 2000 targeted natural gas, with the majority (78 percent) occurring in the shallow gas areas of southeast Alberta and at Hatton, Saskatchewan.

In these areas, lessees have been increasing well densities. Historical spacing of four wells per section is not adequately draining underlying natural gas reserves. As a result, lessees are drilling up to an additional four wells per section, increasing both reserves and production.

With the strong natural gas price forecast, Freehold's royalty lands in these two areas will experience additional drilling during the next few years.

Western Alberta	2000
Total acreage	88,525
Undeveloped land (gross acres)	15,171
Number of royalty wells	2,536
Average royalty rate	0.5%
Wells drilled	34 (0.6 net)
Production volumes	
Oil and NGLs (Bbls/d)	369
Natural gas (Mcf/d)	2,939
Oil equivalent (Boe/d)	663
Established reserve additions (Mboe)	134
Total established reserves (Mboe)	4,860

Northeast Alberta	2000
Total acreage	122,926
Undeveloped land (gross acres)	17,041
Number of royalty wells	1,890
Average royalty rate	2.4%
Wells drilled	56 (1.3 net)
Production volumes	
Oil and NGLs (Bbls/d)	484
Natural gas (Mcf/d)	919
Oil equivalent (Boe/d)	576
Established reserve additions (Mboe)	74
Total established reserves (Mboe)	3,245

Western Alberta

This area ranks highest for Freehold in terms of reserves at 20 percent of total. Production in 2000 totalled 663 barrels of oil equivalent per day, an increase of 1.2 percent compared to 1999. This resulted from the increased drilling by lessees who drilled 34 (0.6 net) wells in 2000.

Active operators in this area include Petro-Canada, Northrock Resources, Numac Energy and ARC Resources. Petro-Canada drilled a gas well at Wildcat Hills on mineral title lands where Freehold holds a 7.83 percent net royalty.

Northeast Alberta

The Trust's production of 576 barrels of oil equivalent is down 5.1 percent from the previous year, due to normal decline. Drilling activity in this area of 56 (1.3 net) wells increased from the 25 (1.7 net) wells drilled in 1999. Husky drilled 18 (0.5 net) wells at Wildmere Lloydminster A Unit No. 1 that will add to 2001 production. Of the 56 wells drilled, 30 were on Freehold's unitized gas properties.

Southeast Alberta	2000
Total acreage	124,375
Undeveloped land (gross acres)	7,857
Number of royalty wells	3,973
Average royalty rate	1.1%
Wells drilled	213 (2.2 net)
Production volumes	
Oil and NGLs (Bbls/d)	183
Natural gas (Mcf/d)	1,131
Oil equivalent (Boe/d)	296
Established reserve additions (Mboe)	99
Total established reserves (Mboe)	1,090

Bashaw/Leduc	2000
Total acreage	66,310
Undeveloped land (gross acres)	9,417
Number of royalty wells	1,268
Average royalty rate	0.4%
Wells drilled	24 (0.6 net)
Production volumes	
Oil and NGLs (Bbls/d)	145
Natural gas (Mcf/d)	957
Oil equivalent (Boe/d)	241
Established reserve additions (Mboe)	107
Total established reserves (Mboe)	908

Southeast Alberta

Approximately 50 percent of the wells drilled on Freehold's royalty properties during 2000 were drilled in this region. The majority of drilling was for natural gas development, with 201 reported gas wells drilled. Seven (0.4 net) oil wells were drilled in 2000, about the same as in 1999.

Approximately 92 percent of Freehold's production in this area was replaced by the lessees' drilling efforts during 2000. Wells were drilled on Freehold's properties at Suffield, Princess, Cessford, Alderson and Medicine Hat. Active lessees include Alberta Energy Company, PanCanadian, Canadian Natural Resources and Crestar Energy.

Bashaw/Leduc

Twenty-four (0.6 net) wells were drilled in this area during 2000. All of the production in this area was replaced by lessees' activities late in 1999 and during 2000. Although production declined to 241 barrels of oil equivalent per day in 2000 from 284 barrels of oil equivalent per day in 1999, the results from the 2000 drilling are expected to have a positive impact in 2001.

The area's active lessees were Canadian Natural Resources and Avalanche Energy.

Saskatchewan Heavy Oil	2000
Total acreage	62,509
Undeveloped land (gross acres)	15,238
Number of royalty wells	916
Average royalty rate	5.8%
Wells drilled	24 (2.9 net)
Production volumes	
Oil and NGLs (Bbls/d)	805
Natural gas (Mcf/d)	433
Oil equivalent (Boe/d)	848
Established reserve additions (Mboe)	459
Total established reserves (Mboe)	2,894

Hatton/Gull Lake	2000
Total acreage	125,421
Undeveloped land (gross acres)	25,266
Number of royalty wells	1,336
Average royalty rate	0.8%
Wells drilled	68 (2.0 net)
Production volumes	
Oil and NGLs (Bbls/d)	138
Natural gas (Mcf/d)	796
Oil equivalent (Boe/d)	218
Established reserve additions (Mboe)	11.7
Total established reserves (Mboe)	1,054

Saskatchewan Heavy Oil

This area ranks the highest in terms of production growth and average royalty interest. Production increased 76 percent to 848 barrels of oil equivalent per day during 2000, resulting from the lessees' drilling of 24 (2.9 net) wells, and the acquisition at Luseland.

Drilling activity at Baldwinton, Luseland, Carruthers and Hoosier by lessees such as Beau Canada, Wascana, and Fletcher Challenge added to reserves and production. Due to drilling and the acquisition of reserves at Luseland, production was replaced by approximately 150 percent.

Hatton/Gull Lake

The Hatton/Gull Lake area of southwestern Saskatchewan generates royalty revenue from shallow gas and oil production. This was an active area for Freehold during 2000 as 68 (2.0 net) wells were drilled.

During the year, Fletcher Challenge, Star Oil and Gas, EOG Resources and Union Pacific were active in drilling gas wells. Renaissance Energy drilled oil wells at Cantuar, Suffield, Success, Verlo, Fosterton and Beverley. The majority of gas wells were drilled late in 2000 which will add to production and reserves during 2001. The 31 percent production increase is attributed to 1999 gas drilling and the oil activity during 2000.

WORKING INTEREST PROPERTIES

Freehold owns interests in 72 working interest properties. Production from these properties is comprised of approximately 82 percent oil and NGLs, and 18 percent natural gas. The majority (60 percent) of the Trust's working interest production comes from four properties – Hayter, Pembina Cardium Unit No. 9 ("PCU #9"), Luseland and Pouce Coupe.

PRODUCTION

Working interest production accounted for 1,811 barrels of oil equivalent in 2000, up 6.3 percent from 1999. The increase in production was essentially the result of the acquisition at Luseland.

Working Interest Production (Boe/d) Years Ended December 31	2000	1999	1998
Hayter	**674**	677	841
Pembina Cardium Unit No. 9	**196**	194	207
Luseland	**118**	-	-
Pouce Coupe	**103**	99	111
Other	**720**	734	775
Total	**1,811**	1,704	1,934

DRILLING ACTIVITY

In 2000, Freehold participated in the drilling of 71 (8.6 net) wells on working interest properties, up from 32 (1.1 net) wells drilled during 1999. Seventeen (4.0 net) of these wells were drilled at Hayter, sustaining the Dina pool production rates. Six (0.6 net) wells were drilled at PCU #9, 17 (2.8 net) wells at Ribstone, three (0.6 net) wells at Luseland and two (0.3 net) horizontal wells at Pouce Coupe and North Virden Scallion Unit No. 2.

Freehold's capital expenditures in 2000 on the working interest properties were $5.2 million, most of which was spent on drilling and facilities at Hayter, PCU #9 and Ribstone.

Freehold will spend approximately $2.4 million on development projects during 2001. Of this amount, $1.2 million is forecast to be spent at Hayter on drilling and related facilities, and $0.8 million will be incurred to continue the 17-well drilling program at PCU #9.

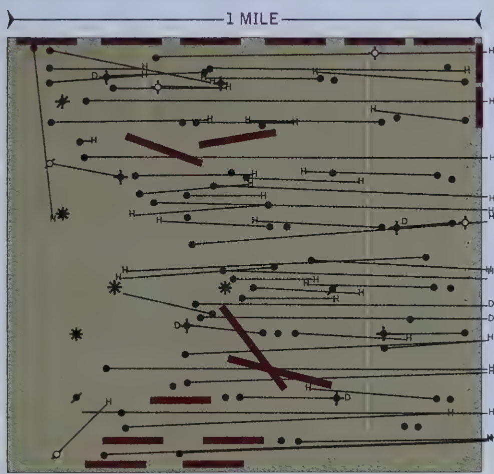
Wells Drilled on Working Interest Properties Years Ended December 31	2000		1999		1998	
	Gross	**Net**	Gross	Net	Gross	Net
Oil	**49**	**8.2**	6	1.0	10	0.8
Natural Gas	**20**	**0.2**	26	0.1	16	0.1
Service/other	**-**	**-**	-	-	-	-
Dry and abandoned	**2**	**0.2**	-	-	1	-
Total	**71**	**8.6**	32	1.1	27	0.9
Success rate (%)	**97**		100		96	

MAJOR WORKING INTEREST PROPERTIES

Hayter, Alberta

Freehold owns 23.52 percent of the title and a 23.52 percent working interest in a 640-acre property located in east central Alberta. In response to strong oil prices, 17 (4.0 net) wells were drilled during 2000. This drilling succeeded in arresting the natural production decline. The capital forecast includes an additional 12 (2.8 net) wells to be drilled during 2001.

SECTION 26-40-01 W4M



HAYTER, ALBERTA

●	Pre-2000 wells
▬	2000 wells drilled
D	Directional
H	Horizontal

Pembina Cardium Unit No. 9, Alberta

Freehold has a 9.9 percent working interest and a 0.6 percent royalty interest in PCU #9, located 85 miles southwest of Edmonton. Light oil production is from part of the Pembina oilfield, the largest conventional oilfield discovered in Canada. The Unit wells have been on an 80-acre, five-spot waterflood pattern for more than 40 years.

Six (0.6 net) wells were drilled during 2000, and 17 (1.7 net) additional wells are approved for 2001.

Luseland, Saskatchewan

Since the property was purchased in April of 2000, three (0.6 net) oil wells have been drilled and two (0.4 net) wells have been returned to production. This activity resulted in an exit production rate of 175 barrels of oil equivalent per day, which is higher than the average of 150 barrels of oil equivalent per day for the nine months the property was owned during 2000.

Pouce Coupe, Alberta

Freehold owns a 26 percent interest in the Pouce Coupe South Boundary "B" Unit No. 2 in west central Alberta. This property is under waterflood and produces light oil from the Boundary Lake formation.

Freehold's share of production during 2000 was 103 barrels of oil equivalent per day.

Other Working Interest Properties

Sixty-eight other properties accounted for 40 percent of the working interest production volumes during 2000. Development activities were successful as production volumes of 720 barrels of oil equivalent per day for these properties remained relatively unchanged compared to 734 barrels of oil equivalent per day in 1999.

Active areas during 2000 included the North Virden Scallion Unit in Manitoba, and the Ribstone property in Alberta. At Ribstone (16.67 percent interest), 17 (2.8 net) wells were drilled and a waterflood was initiated that is expected to increase both production and reserves in 2001.

RESERVES

Freehold's year-end reserves of 24.2 million barrels of oil equivalent were three percent lower than 1999. The Trust replaced 114 percent of its annual production in 2000 through development activities on its lands and acquisitions completed during the year. This was achieved at a cost of $5.28 per barrel of oil equivalent.

Freehold's reserves have been evaluated as at January 1, 2001 by Grant Trimble Engineering Ltd., an Alberta-based company that has provided consulting services to the Petroleum Industry for over 30 years. Its expertise has been recognized, and its evaluation reports accepted, by all major securities commissions and chartered banks in Canada, as well as the Securities and Exchange Commission in the United States. Freehold's Audit Committee meets with the reserve evaluators on an annual basis.

Summary of Reserves	2000		1999		1998	
	Proven	**Established***	Proven	Established*	Proven	Established*
Oil and NGLs (Mbbls)	**15,064**	**18,375**	15,232	19,065	16,784	20,137
Natural gas (Mmcf)	**50,746**	**58,651**	51,627	59,979	50,928	58,893
Total (Mboe)**	**20,139**	**24,240**	20,395	25,063	21,877	26,026
Total (Mboe) ***	**23,522**	**28,150**	23,837	29,061	25,272	29,952
Potash (Mtonnes)	**68,857**	**68,857**	72,844	72,844	73,261	73,261

**Proven plus half probable.*
***10 Mcf = 1 barrel of oil equivalent.*
****6 Mcf = 1 barrel of oil equivalent.*

Reserves Reconciliation	Oil and NGLs (Mbbls)		Natural Gas (Mmcf)		Combined Equivalent (Mboe)		
	Proven	Probable*	Proven	Probable*	Proven	Probable*	Established
Balance January 1, 2000	15,232	3,832	51,627	8,352	20,395	4,668	25,063
Reserve additions	869	264	2,285	358	1,098	299	1,397
Acquisitions	532	53	29	3	534	53	588
Revisions	(226)	(838)	841	(808)	(142)	(919)	(1,061)
Dispositions	-	-	-	-	-	-	-
Production	(1,343)	-	(4,035)	-	(1,747)	-	(1,747)
Balance January 1, 2001	15,064	3,311	50,746	7,905	20,139	4,102	24,240
Change over prior year	(168)	(521)	(881)	(447)	(256)	(566)	(822)

**Probable reserves are risked at 50%.*

Price Forecast*	Oil		Gas	Natural Gas Liquids		
	WTI Cushing Oklahoma† (Bbls) $U.S.	Edmonton Par Price 40° API (Bbls) $Cdn.	Alberta Plant Gate (Mmbtu) $Cdn.	Propane (Bbls) $Cdn.	Butane (Bbls) $Cdn.	Pentane (Bbls) $Cdn.
2001	28.20	41.87	7.93	28.97	31.21	46.97
2002	24.41	35.85	5.73	23.63	25.39	38.39
2003	21.12	30.44	4.30	19.06	20.42	32.03
2004	21.44	30.95	3.91	18.35	19.61	31.98
2005	21.76	30.96	3.91	17.34	18.46	31.71

† 40° API, 0.4% sulphur.
Oil prices escalated at 1.5% after the year 2005.
Gas prices escalated at 1.5% after the year 2005.
The U.S./Cdn. dollar exchange rate is forecast to be $0.656 in 2001, $0.66 in 2002, $0.67 in 2003 and 2004, $0.68 in 2005, $0.69 in 2006, $0.70 in 2007 and 2008, $0.71 thereafter.
**January 1, 2001 price forecast by Sproule Associates Limited.*

Potash Price Forecast (Effective January 1, 2001)	2001	2002	2003	2004	2005
$U.S. (Tonne)	94	96	97	99	101
$Cdn. (Tonne)	128.77	130.92	133.53	136.21	138.36

+2% thereafter. Forecast by LAS Energy Associates Ltd.
The U.S./Cdn. dollar exchange rate is forecast to be $0.73 throughout the period.

Present Worth of Estimated Future Cash Flows ($000s)	0%	Discounted at 10%	12%	15%
Proven producing	513,890	222,004	204,286	183,792
Proven non-producing	29,330	15,536	14,238	12,674
Total proven	543,220	237,540	218,524	196,466
Probable*	120,052	15,460	12,742	9,999
Established reserves	663,272	253,000	231,266	206,465
Potash	24,686	6,038	5,184	4,290
Alberta Royalty Credit ("ARC")	2,886	1,765	1,641	1,486
Total	690,844	260,803	238,091	212,241

**Probable reserves are risked at 50%.*

NET ASSET VALUE

Based on the independent evaluation of the Trust's established reserves at December 31, 2000, discounted at 12 percent, the Trust's net asset value was $7.80 per Trust Unit, up from $5.44 at year-end 1999. The increase in asset value per Trust Unit is primarily attributable to higher forecasts of future oil and gas prices being used at year-end 2000, compared to those used in 1999. The net asset values are determined on a pre-tax basis.

Net Asset Value as at December 31, 2000 ($000s, Except Unit Data)	Discounted at 10%	Discounted at 12%	Discounted at 15%
Present value of crude oil and natural gas reserves	$ 254,766	$ 232,907	$ 207,951
Present value of potash reserves	6,038	5,184	4,290
Undeveloped land	624	624	624
Reclamation fund	745	745	745
Working capital	7,088	7,088	7,088
Bank debt	38,000	38,000	38,000
Net asset value	$ 231,261	$ 208,548	$ 182,698
Trusts Units outstanding	26,728,000	26,728,000	26,728,000
Net asset value per Trust Unit	$ 8.65	$ 7.80	$ 6.84

Replacement and Recycle Statistics ($000s, Except Boe)	Three-year results	2000	1999	1998
Development expenditures	$ 7,890	**$ 5,161**	$ 940	$ 1,790
Established reserve additions by development (Mboe)	3,153	**1,397**	1,022	734
Development cost ($/Boe)	$ 2.50	**$ 3.69**	$ 0.92	$ 2.44
Acquisition expenditures	$ 5,326	**$ 5,326**	$ 0	$ 0
Established reserve additions by acquisition (Mboe)	588	**588**	-	-
Acquisition cost ($/Boe)	$ 9.06	**$ 9.06**	$ 0.00	$ 0.00
Total development and acquisition expenditures	$ 13,216	**$ 10,487**	$ 940	$ 1,790
Total development and acquisition reserves added (Mboe)	3,741	**1,985**	1,022	734
Development and acquisition cost ($/Boe)	$ 3.53	**$ 5.28**	$ 0.92	$ 2.44
Established reserve additions including revision of prior estimates (Mboe)	2,606	**924**	620	1,062
Development and acquisition costs including revisions ($/Boe)	$ 5.07	**$ 11.35**	$ 1.52	$ 1.69

Recycle Ratio	Three-year average	2000	1999	1998
Operating netback per Boe (1)	$ 21.50	**$ 32.61**	$ 20.03	$ 11.61
F&D costs per Boe (2)	$ 5.07	**$ 11.35**	$ 1.52	$ 1.69
Recycle ratio (3)	4.2	**2.9**	13.2	6.9

(1) The operating netback is calculated by subtracting royalties net of ARC and operating costs.

(2) Finding and Development ("F&D") costs represent the cost of acquiring and developing established reserves.

(3) The recycle ratio is a measure of the efficiency in which new reserves are added. It is defined as the operating netback divided by the F&D cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS OF 2000

* Record Unitholder distributions of $1.32 per Unit, up 69 percent from $0.78 per Unit in 1999;
* Record operating netbacks of $32.61 per Unit, up 63 percent from $20.03 per Unit in 1999;
* Record cash flow from operations of $51.9 million, up 90 percent from $27.4 million in 1999;
* Record net income of $31.7 million, up 260 percent from $8.8 million in 1999;
* Average annual production increased to 4,785 barrels of oil equivalent (Boe) per day, up 10 percent over 4,338 Boe per day in 1999;
* Completed an acquisition of properties at Luseland, Saskatchewan, adding 225 Boe per day;
* $8.96 million ($0.34 per Trust Unit) was applied to debt repayment during the year;
* Combined operating costs, general and administrative costs and management fees of $3.88 per Boe were among the lowest for all conventional oil and gas royalty trusts; and
* Replaced 114 percent of production at a cost of $5.28 per Boe.

Management's Discussion and Analysis should be read in conjunction with the financial statements and notes contained in this Annual Report.

RESULTS OF OPERATIONS

PRODUCTION

Production for the full year averaged 4,785 Boe per day, up 10 percent from 1999. The increase is attributed to acquisitions and drilling on the royalty properties which offset the normal decline.

Daily Production Volumes	2000	1999	% Change
Oil and NGLs (Bbls/d)	**3,680**	3,223	+14
Natural gas (Mmcf/d)	**11.0**	11.2	-2
Oil equivalent (Boe/d)	**4,785**	4,338	+10
Potash (Tonnes/d)	**10.9**	14.2	-23

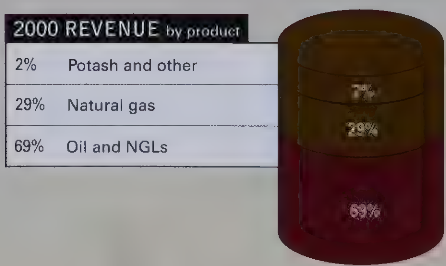
Production Reconciliation (Boe/d)	Working Interest	Royalty Interest	Total
Average daily production rate – 1999	1,704	2,634	4,338
Drilling on royalty lands	-	608	608
Development program	364	-	364
Acquisitions/dispositions	125	100	225
Natural decline	(382)	(368)	(750)
Average daily production rate – 2000	1,811	2,974	4,785

REVENUES

Total revenues of $61.2 million were up 74 percent over 1999 revenues of $35.3 million.

These results are attributable in part to the 10 percent increase in production volumes, but most importantly to the highest average annual crude oil price in history. In addition, natural gas prices, which by year-end had also escalated to record levels, had a very positive impact on revenues. Freehold's average prices for 2000 were:

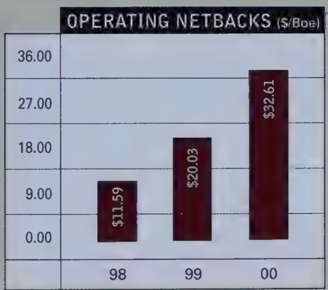
Average Prices	2000	1999	% Change
Oil and NGLs ($/Bbl)	**32.97**	21.37	+54
Natural gas ($/Mcf)	**4.71**	2.48	+90
Oil equivalent ($/Boe)	**36.22**	22.25	+63
Potash ($/Tonne)	**146.72**	157.56	-7

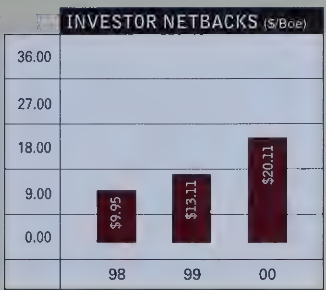


NETBACKS

Freehold's netback to investors rose 53 percent to $20.11 per barrel of oil equivalent in 2000 from $13.11 per barrel of oil equivalent in 1999. The improvement can be attributed to a 57 percent increase in the WTI oil price from an average of U.S. $19.24 per barrel in 1999 to U.S. $30.20 per barrel in 2000, combined with a 90 percent increase in the price received for natural gas over 1999, and a 10 percent increase in production over the prior year.

2000 Netback Analysis ($ Per Boe)	Royalty Lands	Working Interest Properties	Total Trust
Oil and gas sales	$ 35.82	$ 36.86	$ 36.22
Royalties and mineral taxes paid	-	(5.41)	(2.05)
ARC and other income	0.92	0.54	0.77
Total revenues	$ 36.74	$ 31.99	$ 34.94
Operating costs	-	(6.16)	(2.33)
Operating netback	$ 36.74	$ 25.83	$ 32.61
General and administration expense	(1.20)	(1.20)	(1.20)
Capital taxes and other expenses	(0.11)	(0.39)	(0.21)
Interest	(0.77)	(2.81)	(1.54)
Cash flow from operations	34.66	21.43	29.66
Site restoration fund	-	(0.36)	(0.14)
Capital expenditures	-	(7.79)	(2.95)
Income available for distribution	$ 34.66	$ 13.28	$ 26.57
Debt repayment and working capital	$ (6.46)	$ (6.46)	$ (6.46)
Investor netback	$ 28.20	$ 6.82	$ 20.11





MARKETING

Freehold markets its working interest oil production using 30-day contracts to ensure the highest competitive pricing. Due to the large number of royalty properties and the generally small volumes per property, Freehold relies upon the marketing capabilities of the individual lessees. The Trust does not market the majority of its natural gas production as the diverse number and modest size of the working interest properties result in more effective marketing of Freehold's gas with the operators' gas. A provision of the leases calls for Freehold's royalty gas to be marketed with the lessees' production. A rigorous audit program is maintained to ensure that the royalties paid are in accordance with the prices obtained by the royalty payor, and that unwarranted or excessive deductions are not being taken.

EXPENSES

ROYALTIES

Oil and gas companies pay royalties to the owners of mineral rights from whom they hold leases. Generally, these are paid to the Crown (provincial and federal governments), freehold owners, and other operators with whom the companies have joint interests. As Freehold is a mineral title owner on most of its royalty production, no royalties are paid to others on Freehold's share of production from the royalty lands (Freehold receives the royalty from other companies). On Freehold's working interest properties where it does pay royalties, the total royalty expense in 2000 was $3.6 million, or six percent of total revenues, compared to $1.4 million, or four percent of total revenues, in 1999.

The original Trust properties (Hudson's Bay Royalty Lands and working interest properties) were not eligible for Alberta Royalty Credit ("ARC") because they were considered "restricted resource properties" under the Alberta Corporate Tax Act. In 1997, Freehold acquired various working interest properties that were eligible for ARC. To the end of 2000, there have been no further acquisitions that were eligible for ARC. Freehold recorded ARC of $0.2 million in 2000, compared to $0.3 million in 1999.

Royalties	Years Ended December 31		
	2000	1999	1998
Total royalties ($millions)	**3.6**	1.4	1.4
As a percentage of revenue	**6**	4	6
per Boe ($)	**2.05**	0.91	0.82

OPERATING COSTS

Freehold does not incur operating costs on production from its royalty lands. Operating costs for the working interest properties were $4.1 million ($6.16 per Boe) for 2000, compared to $3.6 million ($5.72 per Boe) in 1999. Operating costs for the total operations of the Trust (including the royalty lands) averaged $2.33 per Boe in 2000, compared to $2.24 per Boe reported in 1999.

Operating Costs ($millions except per Boe)	Years Ended December 31		
	2000	1999	1998
Working interest properties	**4.1**	3.6	3.7
per Boe ($)	**6.16**	5.72	5.18
Royalty interest properties	**-**	-	-
per Boe ($)	**-**	-	-
Combined operating costs	**4.1**	3.6	3.7
per Boe ($)	**2.33**	2.24	2.11
As a percentage of revenue	**7**	10	16

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs for 2000 of $2.1 million ($1.20 per Boe), were one percent higher on a Boe basis over the 1999 total of $1.9 million ($1.19 per Boe). Overhead recoveries of $0.15 million were credited against general and administrative expenses during 2000, compared to a credit of $0.2 million in 1999. No general and administrative costs have ever been capitalized.

General and Administrative Expenses ($millions except per Boe)	Years Ended December 31		
	2000	1999	1998
General and administrative costs (net of recoveries)	**2.1**	1.9	2.2
As a percentage of revenue	**3**	5	9
per Boe ($)	**1.20**	1.19	1.30

MANAGEMENT FEES

The Manager is a wholly-owned subsidiary of Rife Resources Ltd., which is 100 percent owned by the CN Pension Trust Fund (the pension fund for the employees of the Canadian National Railway System). As part of the management agreement, the Manager is reimbursed for overhead expenditures and receives a quarterly management fee paid in Trust Units. During 2000, the Manager received 80,000 Trust Units as the management fee, bringing the total number of Units received by the Manager since inception of the Trust in late 1996 to 328,000.

Management Fees	Years Ended December 31		
	2000	1999	1998
Management fees (paid in Trust Units)	**$ 625,000**	$ 438,000	$ 549,000
As a percentage of revenue	**1**	1	2
As a percentage of distributable income	**1**	2	4
per Boe ($)	**0.36**	0.28	0.32

The Manager also earns a fee of 1.5 percent of the purchase price of oil and gas properties acquired by Freehold. During 2000, $75,750 (1999 – nil) was paid related to the Luseland, Saskatchewan acquisition. This fee is charged to capital assets as part of the properties acquired.

DEPLETION

Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties payable. Reserves are converted to equivalent units on the basis of relative energy content (six thousand cubic feet of natural gas to one barrel of oil). During 2000, the provision for depletion and depreciation was $19.3 million ($11.00 per Boe), compared to $17.9 million ($11.32 per Boe) in 1999.

NET EARNINGS

Freehold recorded net earnings of $31.7 million ($1.19 per Trust Unit) in 2000, up 260 percent from $8.8 million ($0.33 per Trust Unit) in 1999. Increased commodity prices, combined with higher production volumes, were the major contributors to the improved results.

RECLAMATION FUND

Freehold Royalty Trust and Freehold Resources Ltd. ("Resources") are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. No similar responsibilities arise from the royalty lands. Ongoing environmental obligations are expected to be funded out of cash flow. The Trust's estimated share of future environmental and reclamation obligations for the working interest properties is approximately $5,140,000 (1999 – $4,780,000).

A reclamation fund, consisting of cash invested in an interest–bearing account, has been established and is funded by quarterly cash payments. A total of $240,000 was paid into the reclamation account in 2000 (1999 – $203,000). During the period, $61,000 (1999 – $46,000) in site restoration expense was paid from the reclamation fund.

TAXES

The Trust incurred taxes of $186,000 in 2000 (1999 – $73,000). These taxes consist of Large Corporations Tax, which is incurred on taxable capital employed in Canada, and the Saskatchewan Capital Tax and Surcharge applied to both taxable capital and gross revenues in that province.

UNITHOLDER TAXATION

Freehold is entitled to claim certain tax deductions available to all owners of oil and gas properties. By utilizing two principal deductions – the Canadian Oil and Gas Property Expense ("COGPE") and the Resource Allowance deduction – cash distributions in the initial years were sheltered from income tax. Over time, an increasing percentage of the annual distributions will become taxable. It is estimated that approximately 35 percent of distributable income will become taxable in the 2001 taxation year.

The following table represents the combined tax-pool balances of Freehold Royalty Trust and Freehold Resources Ltd.

Tax Pools ($000s)	Years Ended December 31 2000	1999	1998
Canadian oil and gas property expense	**179,706**	194,417	202,337
Canadian development expense	**4,633**	3,214	3,891
Canadian exploration expense	**64**	55	53
Capital cost allowance	**10,537**	8,722	8,497
Unit issue expenses	**1,962**	4,592	7,223
Non-capital loss carryovers	**5,273**	27,593	25,678

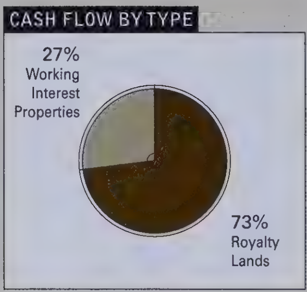
DISTRIBUTABLE INCOME

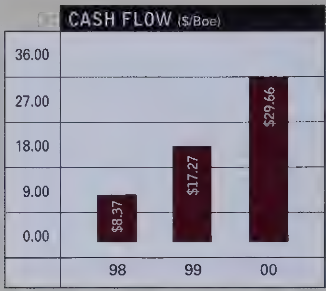
Income available for distribution established a new record in 2000 and increased 78 percent to $46.5 million ($1.74 per Trust Unit) from $26.2 million ($0.98 per Trust Unit) in 1999. Throughout the year, the Trust continued to strengthen its balance sheet by eliminating the short-term debt that remained at the end of 1999, paying down the long-term debt to $38 million from the $39.3 million balance at year-end 1999, even after borrowing a further $5.3 million to finance acquisitions. After strengthening its balance sheet, the Trust declared actual distributable income of $35.2 million ($1.32 per Trust Unit), up 70 percent from $20.8 million ($0.78 per Trust Unit) in 1999.

Reconciliation of Change in Distributable Income ($ Per Trust Unit)		
1999 distribution		$ 0.7800
Net revenues		
Oil and NGL volumes	0.2100	
Oil and NGL price	0.5106	
Natural gas volumes	(0.0042)	
Natural gas price	0.3392	
Other income	(0.0015)	
Royalties, including ARC	(0.0842)	0.9699
Expenses		
Operating expense	(0.0196)	
General and administrative expense	(0.0080)	
Interest expense	(0.0109)	
Capital taxes and other	(0.0113)	(0.0498)
Other		
Improvement to working capital	(0.0019)	
Repayment of debt	(0.2175)	
Site reclamation fund	(0.0014)	
Capital expenditures	(0.1579)	
Rounding	(0.0014)	(0.3801)
2000 distribution		**$ 1.3200**

CASH FLOW

Cash flow from operations rose 90 percent to $51.9 million ($1.94 per Trust Unit) compared to $27.4 million ($1.03 per Trust Unit) in 1999. Royalty lands provided 73 percent of cash flow during 2000.





CAPITAL EXPENDITURES

The Trust may only make capital expenditures on working interest properties to maintain or improve production. Exploratory drilling may not be initiated by the Trust. The amount of capital, which can be funded from cash flow, is limited to ensure distributions are not significantly reduced in any one year. This limit is presently set at 15 percent of annual cash flow from operations (as amended at the Annual and Special Meeting of Unitholders, May 3, 2000). Additional capital expenditures above this limit are financed with borrowings, additional issuances of Trust Units, or proceeds from the disposition of assets. During 2000, the Trust incurred $5.2 million in capital expenditures (1999 – $0.9 million). The 2000 capital expenditures were funded entirely from cash flow, as were the 1999 capital expenditures.

Capital Expenditures ($millions)	2000	1999	1998
Development drilling	**3.6**	0.7	1.1
Plant and facilities	**1.6**	0.2	0.7
Total capital expenditures	**5.2**	0.9	1.8
Property acquisitions	**5.3**	-	-

LIQUIDITY AND CAPITAL RESOURCES

The Trust has a $50.0 million committed operating facility on which $38.0 million was drawn at December 31, 2000 (December 31, 1999 – $39.3 million). The facility is secured by a General Security Agreement from the Trust and Freehold Resources Ltd. ("Resources") providing a first-priority security interest in both Resources' and the Trust's assets and specific assignment of royalties. A demand debenture is pledged from both Resources and the Trust in the amount of $75.0 million, conveying a first floating charge over all property. The facility is subject to an annual review by the lender.

In addition, the Trust has available a $15.0 million demand production facility under the same terms and conditions as the operating facility, of which nil was drawn down as at December 31, 2000 (December 31, 1999 – $2.4 million).

At December 31, 2000, the obligation outstanding under the credit facility is classified as long-term debt, as the lender has advised the Trust that, subject to the Trust maintaining an adequate borrowing base and compliance with the provisions and conditions of the credit agreement, the facility will be renewed. Borrowings under the facility bear interest at the Bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 75 to 130 basis points.

Freehold's year 2001 capital budget is anticipated to be $2.4 million and is expected to be funded entirely from cash flow.

Debt Analysis ($000s)	2000	1999	1998
Long-term debt	**$ 38,000**	$ 39,288	$ 39,288
Short-term (operating line)	**$ -**	$ 2,350	$ 5,500
Working capital	**$ 7,088**	$ 4,736	$ 2,436
Net debt obligations	**$ 30,912**	$ 36,902	$ 42,352
Cash flow (funds generated from operations)	**$ 51,943**	$ 27,350	$ 14,480
Ratio of debt-to-cash flow	**0.6**	1.3	2.9

SENSITIVITY

Oil and gas price fluctuations, interest rate changes, Canadian/U.S. dollar exchange rates, levels of production and light/heavy oil differentials can all affect distributable income of the Trust. The following table provides an analysis of the key factors that can influence distributable income in 2001.

Sensitivity	Change in Distributable Income ($000s)	Change in Distributable Income per Trust Unit ($)
Change of U.S. $1.00/Bbl in the price of crude oil	$ 803	$ 0.03
Change of $0.25/Mcf in the price of natural gas	$ 268	$ 0.01
Change of $0.01 in the Cdn./U.S. dollar exchange rate	$ 268	$ 0.01
Change of 1% in interest rates	$ -	$ -
Change of 100 Bbls/d of oil and NGLs	$ 268	$ 0.01
Change of 1,000 Mcf/d of gas	$ 803	$ 0.03
Change of Cdn $1.00 in light/heavy oil differential	$ 535	$ 0.02

BUSINESS RISKS

Business risks associated with the development, production, acquisition, and marketing of oil and gas production are common to virtually all companies in the Industry. These include fluctuations in commodity prices, unanticipated production declines, currency exchange rates, interest rates, and changes in government regulations. The Trust's financial position, results of operations, and cash available for distribution to Unitholders are directly impacted by those factors. Freehold minimizes the risks by utilizing the following strategies:

* Acquire properties which meet or exceed Freehold's investment criteria and which have the characteristics of high netbacks, long reserve life, low risk development potential and product diversification;
* Control costs to maximize profitability;
* Market products to a diverse range of buyers and consider the forward selling of products under certain circumstances. Currently, Freehold does not have any commodity price, exchange rate or interest rate hedging programs in place;
* Meet or exceed industry standards for liability insurance; and
* Limit the size of any one property with respect to total assets of the Trust.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying combined financial statements of Freehold Royalty Trust have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the combined financial statements for Freehold Royalty Trust and for the consistency therewith of all other financial and operating data presented in the annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, KPMG LLP, have examined the combined financial statements of Freehold Royalty Trust. The Audit Committee, consisting of independent directors of Resources, has reviewed these statements with Management and the auditors, and has recommended their approval to the Board of Directors. The Board has approved the combined financial statements contained in this annual report.

D J Sandmeyer

David J. Sandmeyer
President & Chief Executive Officer
February 14, 2001

J.N. Holowisky

Joseph N. Holowisky
Vice-President, Finance & Administration
& Chief Financial Officer and Secretary

AUDITORS' REPORT

To the Unitholders of Freehold Royalty Trust

We have audited the combined balance sheets of Freehold Royalty Trust as at December 31, 2000 and 1999 and the combined statements of income, distributable income, Unitholders' equity and cash flows for the years ended December 31, 2000 and 1999. These combined financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 14, 2001

COMBINED BALANCE SHEETS

($000s)	December 31 2000	1999
Assets		
Current assets:		
Cash	**$ 280**	$ 68
Accounts receivable	**12,261**	8,838
	12,541	8,906
Reclamation fund (note 6)	**745**	566
Petroleum and natural gas interests, net of accumulated depletion and depreciation of $89,914 (1999 – $70,657)	**214,070**	222,840
	$ 227,356	$ 232,312
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	**$ 2,673**	$ 1,865
Accounts payable and accrued liabilities	**2,780**	2,305
Bank indebtedness (note 2)	**-**	2,350
	5,453	6,520
Provision for future site restoration (note 6)	**874**	566
Long-term debt (note 2)	**38,000**	39,288
Unitholders' equity (note 3)	**183,029**	185,938
	$ 227,356	$ 232,312

See accompanying notes to combined financial statements.

Approved on behalf of Freehold Royalty Trust by Freehold Resources Ltd., as Administrator:

William W. Siebens
Director

D. Nolan Blades
Director

COMBINED STATEMENTS OF INCOME

($000s, Except Per Unit Data)	Years Ended December 31 2000	1999
Revenues:		
Royalty income	$ 39,987	$ 22,075
Working interest sales (net of royalties)	21,207	13,195
Operating expenses	4,080	3,555
Working Interest income	17,127	9,640
	57,114	31,715
Other expenses:		
Administrative	2,097	1,882
Interest on long-term debt	2,672	2,155
Other interest	28	255
Capital taxes and other expenses	374	73
	5,171	4,365
Funds generated from operations	51,943	27,350
Depletion and depreciation	19,257	17,926
Site restoration	369	203
Management fee	625	438
Net income	$ 31,692	$ 8,783
Net income per Trust Unit, basic and diluted	$ 1.19	$ 0.33

COMBINED STATEMENTS OF DISTRIBUTABLE INCOME

($000s, Except Per Unit Data)	Years Ended December 31 2000	1999
Funds generated from operations	$ 51,943	$ 27,350
Deduct:		
Site reclamation fund contributions	(240)	(203)
Provision for capital expenditures (note 7)	(5,161)	(940)
Income available for distribution	$ 46,542	$ 26,207
Income available for distribution per Trust Unit	$ 1.74	$ 0.98
Debt repayment	(8,964)	(3,150)
Working capital change	(2,352)	(2,300)
Distributable income	$ 35,226	$ 20,757
Distributable income per Trust Unit	$ 1.32	$ 0.78

See accompanying notes to combined financial statements.

COMBINED STATEMENTS OF UNITHOLDERS' EQUITY

($000s)	Years Ended December 31 2000		1999	
	Units	**Dollars**	Units	Dollars
Unitholders' equity, beginning of year	**26,648,000**	**$ 185,938**	26,568,000	$ 197,474
Net income	**-**	**31,692**	–	8,783
Distributions to Unitholders	**-**	**(35,226)**	–	(20,757)
Trust Units issued in lieu of management fee	**80,000**	**625**	80,000	438
Unitholders' equity, end of year	**26,728,000**	**$ 183,029**	26,648,000	$ 185,938

COMBINED STATEMENTS OF CASH FLOWS

($000s)	Years Ended December 31 2000	1999
Cash provided by (used in):		
Operating:		
Net income	**$ 31,692**	$ 8,783
Items not involving cash:		
Depletion and depreciation	**19,257**	17,926
Site restoration	**369**	203
Trust Units issued in lieu of management fee	**625**	438
Funds generated from operations	**51,943**	27,350
Changes in non-cash operating working capital	**(2,948)**	(2,853)
	48,995	24,497
Financing:		
Bank indebtedness	**(2,350)**	(3,150)
Long-term debt	**(1,288)**	–
Distributions paid	**(34,418)**	(20,220)
	(38,056)	(23,370)
Investing:		
Property and royalty acquisitions	**(5,326)**	-
Development expenditures (note 7)	**(5,161)**	(940)
Site reclamation fund contributions	**(240)**	(203)
	(10,727)	(1,143)
Increase (decrease) in cash	**212**	(16)
Cash, beginning of year	**68**	84
Cash, end of year	**$ 280**	$ 68

Cash interest paid during 2000 was $2,867,000 (1999 – $2,377,000)
See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Years ended December 31, 2000 and 1999.

BASIS OF PRESENTATION

Freehold Royalty Trust ("the Trust") is an open-end investment trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated September 30, 1996 and amended on November 25, 1996, May 4, 1999, and May 3, 2000. The Trust holds a 99 percent royalty interest in the funds generated by Freehold Resources Ltd. ("Resources").

Resources was incorporated on June 3, 1996 and derives its income from certain oil and gas working interest properties.

These combined financial statements include the accounts of the Trust and Resources. All inter-entity transactions have been eliminated.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment:

The Trust follows the full-cost method of accounting.

All costs of acquiring, exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition, geological and geophysical, carrying charges of unproved properties, costs of drilling both productive and non-productive wells and directly related general and administrative costs. Costs are reduced by proceeds from the sale of oil and gas properties and by government grants. Gains and losses are not recognized upon disposition of oil and gas properties unless such a disposition would alter the rate of depletion by 20 percent or more.

(b) Ceiling test:

The Trust applies a ceiling test to the carrying value of oil and gas assets, net of the provision for site restoration, plus future development costs to ensure that such costs do not exceed future estimated net revenues from production of proven reserves at year-end prices and costs. Future revenues are calculated after deducting future general and administrative costs, financing costs, site restoration costs and Resources' income taxes.

(c) Depletion:

Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties. Reserves are converted to equivalent units on the basis of relative energy content.

(d) Provision for future site restoration:

Estimated future site restoration costs are provided for using the unit-of-production method. Costs are estimated by the Trust based on current regulations, costs, technology and industry standards. Actual site restoration costs are charged to the accumulated provision account as incurred.

(e) Income and other taxes:

The Trust is a taxable trust under the *Income Tax Act* (Canada) and it distributes substantially all of its taxable income to its Unitholders. The tax deductions received by the Trust for the distributions to Unitholders represent an exemption from taxation equivalent to the Trust's earnings. In addition, the Trust is exempt from future income taxes because it is contractually committed to distribute all of its income to its Unitholders.

Resources follows the liability method of accounting for income taxes. This method was adopted without restatement of prior years. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Resources can deduct royalty payments to the Trust in determining taxable income and is generally liable for income taxes on its one percent residual interest.

(f) Comparative figures:
Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

(g) Cash:
Cash includes cash on deposit and highly liquid investments with original maturities of three months or less.

(h) Measurement uncertainty:
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ as a result of using estimates.

(i) Stock-based compensation plans:
In accordance with the Trust's Unit Option Plan, Trust Units are granted to the independent directors of Resources and to the Manager, Rife Resources Management Ltd. The Trust does not recognize compensation expense on the issuance of Trust Unit options under this plan, as the exercise price of the Trust Unit options is equal to the market value of the Trust Units on the day they are granted.

(j) Earnings per Unit:
In 2000, the Trust adopted the new accounting policy for the calculation and presentation of earnings per Unit in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The new policy has been adopted retroactively and had no impact on amounts reported in prior periods.

Basic units outstanding are the weighted average number of units outstanding for each period. Diluted units outstanding are calculated using the treasury stock method, which assumes that any proceeds received from in-the-money options would be used to buy back units at the average market price for the period.

2. LONG-TERM DEBT

The Trust has a $50.0 million committed operating facility on which $38.0 million was drawn at December 31, 2000 (1999 – $39.3 million). The facility is secured by a General Security Agreement from the Trust and Resources providing a first priority security interest in both Resources' and the Trust's assets and specific assignment of royalties. A demand debenture is pledged from both Resources and the Trust in the amount of $75.0 million, conveying a first floating charge over all property. The facility is subject to an annual review by the lender.

In addition, the Trust has available a $15.0 million demand production facility under the same terms and conditions as the operating facility, of which, nil was drawn down as at December 31, 2000 (1999 – $2.4 million).

At December 31, 2000, the obligation outstanding under the credit facility is classified as long-term debt, as the lender has advised the Trust that, subject to the Trust maintaining an adequate borrowing base and compliance with the provisions and conditions of the credit agreement, the facility will be renewed. Borrowings under the facility bear interest at the Bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 75 to 130 basis points.

3. UNITHOLDERS' EQUITY

The Trust has authorized an unlimited number of Trust Units of which 26,728,000 (1999 – 26,648,000) were issued at December 31, 2000.

The Trust has reserved 1,980,000 Trust Units pursuant to a Trust Unit Option Plan. Options to purchase Trust Units may be issued to the independent directors of Resources or to Rife Resources Management Ltd. (the Manager of the Trust).

As at December 31, 2000 and 1999, options to purchase 1,160,000 Trust Units were outstanding and vested. These options were held by independent directors and Rife Resources Management Ltd. 1,130,000 of the options are exercisable at $10.00 per Trust Unit until November 14, 2001. The remaining 30,000 options are exercisable at $6.65 per Trust Unit until August 12, 2003.

The Trust reserved 400,000 Trust Units pursuant to its management agreement with Rife Resources Management Ltd., of which 328,000 have been issued to date (see note 5).

4. DISTRIBUTIONS

Distributable income is paid on a monthly basis, with payments to be made on the 15th day following the month-end.

5. RELATED PARTY TRANSACTIONS

Rife Resources Management Ltd. (the "Manager") provides certain services pursuant to a management agreement for an initial term of five years for a fee equal to 20,000 Trust Units per quarter. During 2000, the management fee charged was 80,000 Trust Units with an ascribed value of $625,000 (1999 – $438,000).

During the year, the Manager charged the Trust $1,596,000 (1999 – $1,452,000) in general and administrative costs. At December 31, 2000, there was $117,000 (1999 – $358,000) included in accounts payable relating to these costs.

The Manager also earns a fee of 1.5 percent of the purchase price of oil and gas properties acquired by Freehold. During 2000, $75,750 (1999 – nil) was paid related to the Luseland, Saskatchewan acquisition. This fee is charged to capital assets as part of the properties acquired.

6. FUTURE SITE RESTORATION AND RECLAMATION COST

The Trust and Resources are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow. The total estimated future environmental and reclamation obligations in respect of the working interest properties are approximately $5,140,000 (1999 – $4,780,000). A reclamation fund, consisting of cash invested in an interest-bearing account, has been established and is funded by quarterly cash payments. During the period, $61,000 (1999 – $46,000) in site restoration was incurred and paid from the reclamation fund.

7. CAPITAL EXPENDITURES

The amount of capital expenditures to be deducted from Distributable Income is limited to 15 percent of annual net cash flow from operations. Additional capital expenditures are financed with borrowings, additional issuances of Trust Units or proceeds from the disposition of assets.

8. INCOME TAXES

During the year, Resources changed its method of accounting for income taxes from the deferral method to the liability method as described in note 1, and has applied this change retroactively without restating prior periods. As a result of adopting this new standard, there was no change to the financial statements reported on at December 31, 1999.

The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Trust's earnings before income taxes. This difference results from the following items:

($000s)	2000	1999
Earnings before income taxes and capital taxes	**$ 31,878**	$ 8,856
Combined federal and provincial tax rate	**44.62%**	44.62%
Computed "expected" income tax expense	**$ 14,224**	$ 3,952
Increase (decrease) in income tax resulting from:		
Non-taxable earnings of the Trust	**(12,115)**	(4,376)
Non-deductible Crown charges	**12**	5
Resource allowance	**(804)**	(99)
Other	**(2)**	(1)
Future income tax expense (recovery)	**1,315**	(519)
Change in valuation allowance	**(1,315)**	519
Income taxes	**-**	-
Capital taxes	**$ 186**	$ 73

The components of Resources' future income taxes at December 31 are as follows:

($000s)		2000		1999
Future income tax liabilities:				
Oil and natural gas properties	**$**	**(363)**	$	(486)
Future income tax assets:				
Abandonment costs		**292**		190
Loss carryforwards		**477**		2,017
Valuation allowance		**(406)**		(1,721)
Future income taxes	**$**	**-**	$	-

In 2000, the Trust and Resources made cash payments of $119,000 in capital taxes (1999 – $62,000).

9. SUPPLEMENTAL CASH FLOW DISCLOSURE

Changes in Non-Cash Working Capital Balances ($000s)		2000		1999
Accounts receivable	**$**	**(3,423)**	$	(3,123)
Accounts payable and accrued liabilities		**475**		270
	$	**(2,948)**	$	(2,853)

10. SUBSEQUENT EVENT

On January 23, 2001, the Trust announced that it had agreed to acquire producing mineral title royalty properties and gross overriding royalty properties and undeveloped land for $27.6 million. A purchase and sale agreement was executed on February 2, 2001. The effective date of the acquisition is January 1, 2001 and the closing date is expected to occur by April 30, 2001.

FIVE-YEAR REVIEW

Years Ended December 31 ($000s, Except Per Unit Data)	2000	1999	1998	1997	1996*
Financial					
Total revenues	**61,194**	35,270	23,723	38,289	3,983
Operating expenses	**4,080**	3,555	3,655	3,617	173
General and administrative expenses	**2,097**	1,882	2,248	2,277	199
Interest expense	**2,700**	2,410	2,478	1,549	54
Capital taxes and other expenses	**374**	73	98	41	-
Depletion and depreciation	**19,257**	17,926	23,670	26,663	2,398
Site reclamation fund contributions	**240**	203	215	224	12
Capital expenditures	**5,161**	940	1,790	2,613	13
Distributable income	**35,226**	20,757	17,186	29,081	3,532
Per Trust Unit	**1.32**	0.78	0.65	1.10	0.13
Long-term debt	**38,000**	39,288	39,288	38,175	10,719
Unitholders' equity	**183,029**	185,938	197,474	223,301	248,464
Operating					
Production					
Oil and NGLs (Bbls/d)	**3,680**	3,223	3,547	3,913	3,356
Natural gas (Mmcf/d)	**11.0**	11.2	11.9	15.5	13.5
Oil equivalent (Boe/d)	**4,785**	4,338	4,737	5,461	4,704
Potash (Tonnes/d)	**10.9**	14.2	15.3	12.5	14.0
Average sales price					
Oil and NGLs ($/Bbl)	**32.97**	21.37	13.00	19.21	24.97
Natural gas ($/Mcf)	**4.71**	2.48	1.91	1.79	1.72
Oil equivalent ($/Boe)	**36.22**	22.25	14.54	18.84	22.75
Potash ($/Tonne)	**146.72**	157.56	147.72	114.29	105.00
Undeveloped land (gross acres)	**140,896**	136,036	132,609	77,906	49,000
Property acquisitions ($000s)	**5,326**	-	-	27,500	-
Established reserves (proven plus half probable) (Mboe)	**24,240**	25,063	26,026	26,693	25,060
Reserve life index (years)	**13.9**	15.8	15.1	13.4	14.6
Trust Unit Trading					
High ($)	**9.50**	6.90	9.80	11.85	12.70
Low ($)	**5.60**	4.13	4.15	8.40	11.15
Close ($)	**8.70**	5.95	4.43	9.10	11.20
Volume (000s)	**6,752**	5,782	9,686	11,392	12,943
Trust Units outstanding	**26,728,000**	26,648,000	26,568,000	26,488,000	26,408,000

**Initial 37 days of operation from November 25, 1996 to December 31, 1996.*

QUARTERLY REVIEW

Quarterly Review, 2000 ($000s, Except Per Unit Data)	Q1	Q2	Q3	Q4
Financial				
Total revenues	12,616	15,109	16,897	16,572
Operating expenses	932	1,063	1,124	962
General and administrative expenses	546	540	530	481
Distributable income	7,196	8,536	8,809	10,685
Per Trust Unit	0.27	0.32	0.33	0.40
Long-term debt	39,288	44,414	43,000	38,000
Unitholders' equity	184,654	183,634	184,159	183,029
Operating				
Production				
Oil and NGLs (Bbls/d)	3,335	3,832	3,803	3,747
Natural gas (Mmcf/d)	11.1	10.9	11.2	11.0
Oil equivalent (Boe/d)	4,443	4,921	4,923	4,852
Potash (Tonnes/d)	15.3	13.6	6.8	8.1
Average sales price				
Oil and NGLs ($/Bbl)	33.04	33.88	36.00	28.89
Natural gas ($/Mcf)	2.86	3.80	4.82	7.32
Oil equivalent ($/Boe)	31.92	34.79	38.77	38.97
Potash ($/Tonne)	144.06	142.21	156.28	151.03
Trust Unit Trading				
High ($)	6.70	8.00	9.50	9.15
Low ($)	5.60	6.00	7.25	8.00
Close ($)	6.10	7.95	8.50	8.70
Volume (000s)	1,934	1,553	1,903	1,363
Trust Units outstanding	26,668,000	26,688,000	26,708,000	26,728,000

2000 TAX INFORMATION

Freehold Royalty Trust's cash distributions were fully tax deferred in 2000, so Unitholders were not required to report any taxable income on their personal income tax returns for 2000.

Record Date	Payment Date	Total Distribution Paid	Taxable Amount	Return of Capital Amount
December 31, 1999	January 15, 2000	$ 0.07	$ 0.00	$ 0.07
January 31, 2000	February 15, 2000	0.07	0.00	0.07
February 29, 2000	March 15, 2000	0.13	0.00	0.13
March 31, 2000	April 15, 2000	0.07	0.00	0.07
April 30, 2000	May 15, 2000	0.07	0.00	0.07
May 31, 2000	June 15, 2000	0.17	0.00	0.17
June 30, 2000	July 15, 2000	0.08	0.00	0.08
July 31, 2000	August 15, 2000	0.08	0.00	0.08
August 31, 2000	September 15, 2000	0.15	0.00	0.15
September 30, 2000	October 15, 2000	0.10	0.00	0.10
October 31, 2000	November 15, 2000	0.10	0.00	0.10
November 15, 2000	December 15, 2000	0.20	0.00	0.20
Total paid during the 2000 Taxation Year		**$ 1.29**	**$ 0.00**	**$ 1.29**

HISTORICAL DISTRIBUTABLE INCOME

Distributable Income ($ Per Trust Unit)	2001	2000	1999	1998	1997	1996
January	0.10	0.07	0.05	-	-	-
February	0.20	0.13	0.04	-	-	-
March		0.07	0.04	-	-	-
April		0.07	0.04	0.2275	0.32	-
May		0.17	0.05	0.0575	-	-
June		0.08	0.05	0.0575	-	-
July		0.08	0.06	0.0575	0.28	-
August		0.15	0.07	0.05	-	-
September		0.10	0.07	0.05	-	-
October		0.10	0.07	0.05	0.25	-
November		0.20	0.17	0.05	-	-
December		0.10	0.07	0.05	0.25**	0.13*
Total	**$ 0.30**	**$ 1.32**	**$ 0.78**	**$ 0.65**	**$ 1.10**	**$ 0.13**
Cumulative Total	$ 4.28	$ 3.98	$ 2.66	$ 1.88	$ 1.23	$ 0.13

** 37-day period (record date January 31, 1997, payment date February 28, 1997).*

*** Record date January 31, 1998, payment date February 15, 1998.*

A more detailed list of tax information and historical distributions (showing record dates, payment dates and tax treatment) can be found on Freehold's Web site, **www.freeholdtrust.com**, or by contacting Freehold directly.

GLOSSARY

Acquisitions – The purchase of oil and/or natural gas properties for the purpose of generating revenues from their production.

Capital Expenditures – Investment of financial resources to develop proven reserves.

Development Well – A lower risk well drilled to produce proven reserves.

Differential – The difference between posted prices for light oil versus a heavier grade of oil.

Distributable Income – The income after deduction of all cash expenses that is distributed among Unitholders. This amount is sensitive to oil and natural gas prices and production volumes.

Established Reserves – The sum of Proven Reserves plus 50 percent of Probable Reserves.

Exploratory Well – A higher risk well drilled in an area where oil and natural gas reserves have not been previously discovered or proven.

Freehold Title – Land in which a private owner holds the mineral rights.

Heavy Oil – Dense, viscous oil containing a high proportion of bitumen usually with a gravity of 21 degrees API or less.

Horizontal Drilling – Drilling a well that deviates from the vertical and travels horizontally through proven reserves.

Lease – An agreement where the owner of the mineral rights grants another party the right to drill for and produce oil and natural gas in exchange for payment of a royalty.

Lessee – A party that has acquired a lease from the owner of the mineral rights to drill for and produce oil and natural gas. The lessee is normally responsible for all related expenses including the payment of the lessor's royalty.

Lessor – The title owner of mineral rights, which could include the Crown, an individual or an entity.

Light Oil – Low density oil which has a gravity of 30 degrees API or higher.

Mineral Title – Ownership of rights to specified minerals.

Net Asset Value – The value of the Trust's assets including oil, natural gas, and potash reserves, undeveloped land and financial assets less its liabilities.

Net Production – The remaining share of oil or natural gas production after payment of royalties.

Netback

Operating Netback – The amount realized from the sale of a barrel of oil equivalent after deduction of operating costs and royalties.

Investor Netback – Operating netback adjusted for all other cash expenditures and receipts which results in the final net amount distributed to Unitholders.

Natural Gas Liquids (NGLs) – Liquids obtained from natural gas production and processing, including ethane, propane, butane and condensate.

Operating Costs – Expenses incurred to recover oil or natural gas from a well exclusive of capital expenditures.

Operator – The company or individual responsible for managing and conducting an exploration, development or production operation.

Potash – A mineral primarily comprised of potassium chloride used in the manufacturing of fertilizer.

Production – The volume measure of oil and natural gas produced from a well.

Probable Reserves – Oil and natural gas reserves believed to exist with reasonable certainty on the basis of technical information.

Proven Reserves – Oil and natural gas in known reserves that can be recovered with a great degree of certainty under existing technological and economic conditions.

Reserve Life Index (RLI) – A measure of the estimated life of Established Reserves by dividing year-end reserves by the production during that year. (Established Reserves are the sum of Proven Reserves plus 50 percent of Probable Reserves).

Royalty – The lessor's share of production revenues.

Royalty Lands – Lands which generate royalty income to their mineral rights holder, free and clear of any costs of production.

Shut-in Reserves – Proven oil and natural gas reserves which are not on production for reasons such as uneconomic conditions, remoteness of location or pending the completion of facilities.

Unit – An arrangement under which a field or pool of oil or natural gas is to be operated as a common unit without regard to the boundaries imposed by lease ownership. This is done to maximize the economic benefits to all lease owners.

Working Interest – The percentage ownership of a party in a lease which carries with it the rights and obligations to develop and operate an oil and natural gas property.

Abbreviations

API	American Petroleum Institute
ARC	Alberta Royalty Credit
Bbl	barrel
Bbls/d	barrels per day
Bcf	billion cubic feet
Boe	barrels of oil equivalent (10 Mcf = 1 Bbl)
Boe/d	barrels of oil equivalent per day
Mbbls	thousand barrels
Mboe	thousands of barrels of oil equivalent
Mcf	thousand cubic feet
Mmcf	million cubic feet
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate

UNITHOLDER INFORMATION

SHARE CAPITAL

The Trust's authorized share capital consists of an unlimited number of Trust Units. As at December 31, 2000 the Trust had 26,728,000 Trust Units outstanding.

UNITHOLDER PLANS

The Trust has a number of Unitholder plans in place. Please visit our Web site or contact the Trustee, Montreal Trust, for additional information and to obtain the necessary forms to participate.

1) Distribution Direct Deposit Plan

A Direct Deposit Plan is in place to provide Unitholders who have Canadian bank accounts with a method of receiving cash distributions as a direct deposit into their bank account.

2) Distribution Reinvestment Plan (DRIP)

A DRIP is in place to provide Unitholders who are residents of Canada with a method of reinvesting cash distributions into new Trust Units.

3) U.S. Currency Payment Plan

Unitholders may elect to receive their distribution payments in U.S. funds.

DISTRIBUTION POLICY AND DATES

The Trust makes monthly distributions, the amounts of which are determined by the Board of Directors, and are subject to change depending upon the business environment. Record dates are the end of each month, payment dates are the 15th day following the record date.

DISTRIBUTION TAX INFORMATION

Distributions paid to-date are 100 percent tax-deferred (return of capital).

INVESTOR RELATIONS CONTACT

Karen Taylor
Manager, Investor Relations
Freehold Royalty Trust
400, 144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4

Direct:	(403) 221-0891
Toll Free:	1-888-257-1873 (Canada/U.S.)
Fax:	(403) 221-0888
email:	ir@freeholdtrust.com
Web site:	www.freeholdtrust.com

TRUSTEE AND TRANSFER AGENT

Registered Unitholders' change of address, duplicate mailings, lost Trust Unit certificates or distribution cheques, or general inquiries regarding the direct deposit, distribution reinvestment, or U.S. currency payment plans should be directed to:

Montreal Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Telephone:	(403) 267-6555
Fax:	(403) 267-6592
Toll Free:	1-888-267-6555
email:	lleong@montrealtrust.com
Web site:	www.computershare.com (formerly www.montrealtrust.com)

CORPORATE INFORMATION

BOARD OF DIRECTORS

William W. Siebens [2]

Chairman of the Board – brings special expertise to Freehold with his knowledge of the Trust's Hudson's Bay Royalty Lands as these lands were previously owned by Siebens Oil & Gas Ltd. He is President and C.E.O. of Candor Investments Ltd. (Calgary), a private energy and investment corporation, and currently serves on the boards of several corporations.

D. Nolan Blades [1, 2]

– a Professional Engineer, is an independent businessman with extensive experience in the oil and gas industry. Mr. Blades has held senior positions with Kaiser Oil Ltd., Oakwood Petroleums Ltd., and Chauvco Resources Ltd., and most recently was President and C.E.O. of Pursuit Resources Corp. (Calgary).

Harry S. Campbell, Q.C.

– is Managing Partner of the law firm Burnet, Duckworth & Palmer LLP (Calgary). He was admitted to the Alberta Bar in 1974. Mr. Campbell is currently a director of DT Energy Ltd. and The Cathay Investment Fund Limited and has been a director of numerous private and public corporations.

Tullio Cedraschi

– is President and C.E.O. of the CN Investment Division (Montreal). He is currently a director of several corporations, and is a Governor and a Past President of the National Theatre School of Canada. He is also a Governor of McGill University where he received his MBA.

Dr. P. Michael Maher [1, 2]

– is a Professor and former Dean of the Faculty of Management with the University of Calgary. He has served on the boards of numerous corporations and public sector organizations. Dr. Maher received a Bachelor of Engineering degree, University of Saskatchewan; an MBA, University of Western Ontario; a Ph.D. from Northwestern University; a Doctor of Commerce (honoris causa) degree from St. Mary's; and is a Professional Engineer.

Peter T. Harrison [1]

– is Senior Vice-President of Montrusco Bolton Inc. (Montreal). Mr. Harrison has over 20 years of investment experience, and most recently managed Canadian Equities for the CN Investment Division. He holds a Bachelor of Commerce degree from McGill University, an MBA from the University of Western Ontario, and is a Chartered Financial Analyst.

David J. Sandmeyer

President and C.E.O. – is President of Rife Resources Ltd. (Calgary). He joined the Company in 1982. Prior to that he was employed with Amoco Canada Petroleum Company Limited for 18 years. Mr. Sandmeyer is actively involved with the Canadian Association of Petroleum Producers (CAPP). A graduate of the University of Saskatchewan, he holds a B.Sc. degree in Mechanical Engineering and is a Professional Engineer.

[1] *Audit Committee*
[2] *Corporate Governance & Nominating Committee*

ANNUAL MEETING

The Annual Meeting of Freehold Resources Ltd. and Freehold Royalty Trust will be held on Wednesday, April 25, 2001 at 3:30 p.m. in the Lecture Theatre, Sunlife Plaza Conference Centre, Plus 15 (2nd level), 140 – 4th Avenue S.W., Calgary, Alberta.

Officers

William W. Siebens
Chairman of the Board

David J. Sandmeyer
President & C.E.O.

J. Frank George
Vice-President, Exploitation

Joseph N. Holowisky
Vice-President, Finance & Administration, C.F.O. and Secretary

William O. Ingram
Vice-President, Production

Michael J. Okrusko
Vice-President, Land

Head Office

Freehold Resources Ltd.
Freehold Royalty Trust
400, 144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4
Telephone: (403) 221-0802
Toll Free: 1-888-257-1873
Fax: (403) 221-0888
Web site: www.freeholdtrust.com

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: FRU.UN

Trustee and Transfer Agent

Montreal Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

Grant Trimble Engineering Ltd.
Calgary, Alberta

Corporate Governance

Information concerning the Trust's Corporate Governance is contained in the Information Circular.

Annual Information Form

Copies of the AIF are available by contacting the Trust.

WHAT IS A ROYALTY?

A royalty is compensation paid for permission to use a right owned by another person or company. In the oil and gas business, companies that drill for, and produce oil and natural gas pay a royalty to the owner of the mineral rights. These royalties are usually the value of a specified portion of the gross amount of oil or natural gas produced and sold. In western Canada, the provincial governments ("Crown") own the majority of the oil and natural gas rights. Private individuals and companies, such as Freehold, also own oil and natural gas rights.

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